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TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and Services, and Commodities
Expert Meeting on National Experiences with Regulation and Liberalization: Examples in the Construction Services Sector and its Contribution to the Development of Developing Countries
Geneva, 23 – 25 October 2000
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. Provisional agenda

1. Election of officers

2. Adoption of the agenda and organization of work

3. National experiences with regulation and liberalization: examples in the construction services sector and its contribution to the development of developing countries

4. Adoption of the outcome of the Meeting

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I. Annotations to the provisional agenda

Item 1: Election of officers

1. It is recommended that the Expert Meeting elect a Chairperson and a Vice-Chairperson-cum-Rapporteur.

Item 2: Adoption of the agenda and organization of work

2. The provisional agenda for the Expert Meeting is reproduced in section I above. The provisional schedule of meetings for the three days is attached to this document.

3. At the consultations of the President of the Trade and Development Board with the Bureau, coordinators and interested delegations on 31 March 2000, member States decided to convene an Expert Meeting on National Experiences with Regulation and Liberalization: Examples in the Construction Services Sector and its Contribution to the Development of Developing Countries. The decision was made in accordance with the UNCTAD X Plan of Action (TD/386), paragraph 134, which states: "UNCTAD should help developing countries in identifying: the priority sectors where early trade liberalization should take place; the main trade barriers that developing countries face in those service sectors, especially those which limit developing country ability to export their services; the preconditions, at the domestic level, which are necessary for developing countries to benefit from trade liberalization in the service sector in general. Attention should be paid to the opportunities offered to developing countries by opening the economic environment. This analysis should be supported, where necessary, by technical assistance to strengthen their domestic services capacity, and in particular through support in the area of policy and legislative adjustments."

Item 3: National experiences with regulation and liberalization: examples in the construction services sector and its contribution to the development of developing countries

4. The discussion under the substantive item will focus on exchange of national experience in regulation and liberalization in construction services, while emphasizing successful country-specific experiences, the varied approaches that countries embraced, and what difficulties they have encountered in building own capacities. Presentations by national experts are expected to provide insight into experience in exporting and importing construction services. Experts will focus on factors that would maximize the development impact for the developing countries in the context of the continuing regulatory reform and the process of liberalization at national, regional and multilateral levels. It is also hoped that the deliberations under this item would lead to an identification of the options available for national policy-makers, issues to be dealt with through regional integration, and actions to be taken at the multilateral levels with the aim of promoting development of the developing countries. A proposed guideline to inputs by experts is attached to this document.

Documentation

TD/B/COM.1/EM.12/2 — Regulation and liberalization: examples in the construction services sector and its contribution to the development of developing countries

Item 4: Adoption of the outcome of the Meeting

5. The Expert Meeting will adopt its recommendations, which will be assessed by participating member States before being submitted to the Commission on Trade in Goods and Services, and Commodities in February 2001. The final report will be compiled under the authority of the Chairperson after the conclusion of the Meeting.

PROVISIONAL SCHEDULE OF THE MEETING

Day 1 (23 October 2000)	Day 2 (24 October 2000)	Day 3 (25 October 2000)
(10 a.m.- 1 p.m.) **Plenary** Opening statement Item 1: Election of officers Item 2: Adoption of the agenda **Informals** Item 3: National experiences with regulation and liberalization: examples in the construction services sector and its contribution to the development of developing countries	*(10 a.m.- 1 p.m.)* **Informals (continued)** Item 3: (continued)	*(10 a.m.- 1 p.m.)* **Informals (continued)** Item 3: (continued)
(3 p.m.- 6 p.m.) **Informals (continued)** Item 3: (continued)	*(3 p.m.- 6 p.m.)* **Informals (continued)** Item 3: (continued)	*(3 p.m.- 6 p.m.)* **Plenary (closing)** Item 4: Adoption of the outcome

Inputs from experts

Experts nominated by Member states are requested to submit brief papers in advance of the Meeting to the UNCTAD secretariat. Papers will be made available to other participants at the Meeting in the form and language in which they are received. An expert paper should refer to architectural and engineering design services and to physical construction services. Inputs from experts from all UNCTAD member States (developing countries, LDCs, countries in transition, and developed countries) would be pertinent to the deliberations at the Meeting.

Experts may wish to formulate their inputs according to the questionnaire attached below, although it is not compulsory to follow it. Experts are encouraged to provide concrete example of country experiences as specifically as possible.

Domestic market for construction services

- **Import and export activities: are foreign companies operating in the country or are domestic companies working on projects abroad?**
- **Company and profiles: who are the main players supplying services and what types of services?**
- **Domestic demand: what types of projects are implemented in the domestic market?**
- **Business environment: what recent changes and forms of cooperation - strategic alliances, joint ventures; mergers, full foreign ownership – have been seen in your market?**
- **E-commerce: what is the impact of information technologies in general, have companies in your country benefited from Internet-based business-to-business transactions, and if not why not?**
- **Transfer of technology: how are new technological processes affecting the competitiveness of your companies and what are the available options?**
- **Labour market characteristics: what are the competitive advantages and disadvantages?**
- **Government procurement: how would opening up of government procurement to international open tendering affect the domestic market?**
- **Recognition of professional qualifications: what is the role of professional associations in promoting recognition of qualifications abroad? Is the country party to a mutual recognition agreement and has this contributed to facilitation of the cross-border supply of the professional services?**
- **Multilateral and bilateral aid: what is the impact of development funding in construction, if any?**
- **Finance: what are the options available to companies in developing countries in obtaining necessary finance for export activities?**

Domestic policy instruments

- **Capital and exchange controls: how can their negative impact on trade be minimized?**
- **Registration, license and pre-qualification standards: what regulations on the use of land, building regulations and technical requirements, building permits and inspection, registration of proprietors, contractors and professionals, regulations of fees and remunerations, environmental regulations, fiscal policy measures, etc. may preclude foreign participation in the market or prevent supply of services abroad?**
- **Competition policy: what are the issues for companies of developing countries competing abroad? How important is enforcement of competition domestically? Is there a need for greater transparency and special disciplines?**
- **Use of subsidies and tax incentives: what forms of support are received from the Government and how important are they?**
- **Preferential treatment in bidding accorded to selected countries: is provision for such treatment provided to other countries through regional or bilateral agreements?**
- **How is the Government facilitating the transfer of technology to developing countries?**

(Continued on the next page)

Liberalization of market access through multilateral trade in services negotiations

- What services are covered under the construction services sector? What other services sectors are linked to provision of construction services?
- What barriers are the most prevalent for the temporary movement of project staff across borders? Which occupations should benefit from liberalization as being more important to the profession?
- Are disciplines necessary to ensure competitive supply of construction services worldwide?
- Would transparency in government procurement improve penetration of developing countries into developed country markets and what conditions should be met for this to happen?
- What agreements on rules and limitations concerning the use of subsidies strengthen the competitive position of companies from developing countries?

Experts are requested to submit papers by 9 October 2000 to:

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TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and Services, and Commodities
Expert Meeting on National Experiences with Regulation and Liberalization: Examples in the Construction Services Sectors and its Contribution to the Development of Developing Countries
Geneva, 23 – 25 October 2000
Item 3 of the provisional agenda

REGULATION AND LIBERALIZATION IN THE CONSTRUCTION SERVICES SECTOR AND ITS CONTRIBUTION TO THE DEVELOPMENT OF DEVELOPING COUNTRIES

Note by the UNCTAD secretariat

Executive summary

Governments of developing countries should play an active role at national level and in the multilateral negotiations in order to promote development of their construction services sector. Issues for expert consideration may include: (1) domestic policy instruments and strategies aimed at building domestic capacities in construction services, such as upgrading of technological capacity, including improved use of information technology, and electronic commerce, improved access to financing, effective exploitation of opportunities presented by multilateral and bilateral assistance, (2) a strategy for the multilateral trade negotiations which would aim at obtaining meaningful market access for developing countries' firms, while maximizing advantages accruing to developing countries in implementing their complex development and social objectives, (3) specific problems to be addressed in multilateral negotiations, include: domestic regulations technical standards, licensing and qualification requirements and procedures, restrictions on movement of persons, government procurement practices, tied aid, subsidies, transfer of technology provisions, (4) liberalization at the sub-regional level as a way of building export capacities.

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I. INTRODUCTION

1. On 31 March 2000, UNCTAD Member States decided to convene an Expert Meeting on "National Experiences with Regulation and Liberalization: Examples in the Construction Services Sector and its Contribution to the Development of Developing Countries." The decision was made in accordance with the UNCTAD X Plan of Action (TD/386), paragraph 134 which states that: "UNCTAD should help developing countries in identifying: The priority sectors where the liberalization should take place; the main trade barriers that developing countries face in those service sectors, especially those which limit developing country ability to export their services; the preconditions, at the domestic level, which are necessary for developing countries to benefit from trade liberalization in the service sector in general. Attention should be paid to the opportunities offered to developing countries by opening the economic environment. This analysis should be supported, where necessary, by technical assistance to strengthen their domestic service capacity, and in particular thorough support in the area of policy and legislative adjustments."

2. Thus, at the Expert Meeting to be held from 23-25 October 2000, experts will focus on regulation of the construction services sector, and the impact of liberalization on the development of the developing countries. The discussion will take place against the background of the current multilateral negotiations on trade in services in the WTO, and the negotiating proposals, which have been submitted in that context. Five sets of interrelated issues seem to be most important for consideration by experts: (a) what is the scope of the sector and what interconnected services are important in the delivery of construction projects; (b) what are the new trends and challenges that developing countries face in construction sector in the view of globalization and the internationalization of production; (c) what are the positive and negative experience of countries in regulation and liberalization of construction services sector. (d) what policies should be adopted nationally to improve the competitiveness of companies in developing countries both domestically and internationally; (e) what barriers are limiting trading opportunities to developing country firms and how could they be addressed multilaterally.

A. The Scope of the Sector

3. The construction service sector consists of two sub-sectors of services: (a) architectural and engineering design and (b) construction and related engineering services, termed "physical construction services" in this paper. Physical construction services as defined in GATS involve the implementation of an investment project, and include the following sub-sectors: (i) general construction work, for buildings; (ii) general construction work for civil engineering; (iii) installation and assembly work; (iv) building completion and finishing work; (v) other, which refer s to pre-erection work at construction sites, special trade construction work including foundation work; water well drilling, roofing, masonry, and renting of equipment for construction or demolition of buildings or civil engineering works with operator.[1] This work can be carried out either by general contractors who do the complete construction work for the owner of the project or on own account; or by subcontracting parts of work to specialized contractors.

4. Architectural and engineering design services are essentially intellectual activities, which require general and specialized skills and are knowledge and technology intensive in nature. Architectural and engineering design services are used throughout the development of an investment project, including the stages of pre-investment (e.g., feasibility studies), project execution (e.g., architectural and structural design) and project implementation (e.g., production activities). As defined in GATS, these include architectural services, engineering services, integrated engineering services and urban planning and landscape architectural services. The specifications for material to be used and technological processes followed in general are determined by the architectural and engineering services. In practise this may influence significantly the ability of developing countries to provide services under the specific project.

B. Market Features and Trends

5. The construction industry is seen as barometer of the health of the economy because of its strong linkage to cyclical fluctuations in the economy. Companies postpone spending on construction during periods of economic stagnation, and upon economic recovery start driving their demand for construction once again. On the other hand, governments often invest in the construction sector as a counter cyclical macroeconomic measure.

6. The shares of construction in GDP and employment vary among countries. In 1995, In the lower income developing countries, construction accounted for 2-3 percent of GDP (but much higher for some small countries where major projects are underway; for example, in Lesotho, it represented 24.9 percent). In advanced developing countries, the share is generally between five and seven percent, with roughly the same ratio in OECD countries, However, the labour intensity of the sector is reflected in higher employment shares, near or above 10% in some OECD countries (Japan, Germany, Mexico). The construction services sector is thus a relatively large employer; it draws on a large part of fixed capital formation in an economy, and it provides the essential support for developing a national economy.

7. The world construction market is estimated at US$ 3.200 billion[2]. Over the last two decades, up to 70 percent of construction business opportunities in international markets, as measured by the size of contracts, were found in developing countries, primarily in infrastructure projects; in developed countries, up to 40 percent of similar work was devoted to repair and maintenance.

8. Some developing countries have been exporting construction services successfully and have attained a certain competitive advantage, although they have had extremely limited success in penetrating the markets of developed countries.[3] On the import side, construction services have been an important tool for development because of their role in building industrial and social infrastructure. Increasing competition and the growing technical sophistication of construction processes (which in some cases is possessed by only a few firms worldwide) as well as the size of some projects (which were beyond the reach of all but a few of the largest firms or consortia of firms) has led to a growing importance of partnership agreements and strategic alliances in bidding for and implementing construction projects. However, a number of factors seriously affect the competitiveness of developing countries, while others have impeded their access to markets. These are discussed below.

9. The construction sector has been affected by the rapidly changing economic environment, the privatization of public utilities, the internationalization of production, and the resulting need to adapt business strategies. The majority of private companies in developing countries also face diminishing financial assistance from the government. In recent years, many countries witnessed a contraction of employment in the construction market because of investment in streamlining processes and productivity gains on the one hand, and sluggish demand on the other. Companies have been reshaping and designing new production and marketing strategies both to reduce internal costs of production through outsourcing, externalizing intermediate services and moving into strategic alliances to share costs associated with investing in new technologies, and to spread risks in different market segments and locations all over the world. Increased competition has pushed developed country firms into mergers and acquisitions as well as bidding together, which, however is not a viable option for firms from developing countries facing a liquidity squeeze.

10. Companies from developing countries have increasingly entered into ad-hoc cooperation agreements with companies of developed countries, focused around specific projects[4]. The experience of large manufacturing companies with strong engineering design capacity in developing countries has shown that technology co-operation agreements with developed country partners have helped to reduce organizational and transaction costs, facilitated international sourcing of technology and improved marketing and managerial practices. Developing-to-developing country trade flows have often entailed investment and some forms of co-operation between exporting and importing firms, including joint ventures and joint bidding procedures, and inter-firm co-operation in tapping international financial markets for project financing[5].

11. With the economic slowdown, which occurred at the beginning of the 1990s, companies in developed and developing countries, alike faced increased domestic competition. Companies in developed countries started looking more actively for the opportunities abroad and were quite successful in this strategy[6]. In the aftermath of the Asian financial crises, the regional construction service market was facing structural problems of overcapacity, including in materials, and falling private and public spending. Tightening credit conditions and debt accumulated by many of the companies have put the whole sector at risk, forcing companies – as in developed countries - to look for opportunities outside their domestic market[7].

12. Subcontracting has proved to be an entry point to the international market for small and medium-sized construction firms from developing countries and also transition economies[8]. This appears to be because developing country firms seem to have inadequate capacities for executing overall management of large construction projects and are usually subcontracted for other specialized services. However, recent trends have also produced formal long-term agreements involving knowledge sharing in the design and execution phase of investment projects. Unfortunately, weak domestic banking systems have limited the credits available to construction companies in developing countries. To overcome this shortcoming, companies have been choosing to seek strategic partnerships or equity buyouts. However, finding potential investors – both, domestic and foreign – has proved to be a complicated task.

II. TRADE IN CONSTRUCTION SERVICES: THE MAJOR PLAYERS

A. Architecture and Engineering Services (AES)

13. AES services require general and specialized engineering and other technical and economic skills essential to optimize investment in all its forms: its choice, its technical process of execution and its management. These activities cover a variety of professional services, including: architects to draw up the basic design plans, engineers to select and evaluate technological alternatives, economists to undertake private and social cost benefit analysis, financial analysts to examine the various aspects of project financing, and scientists and ecologists to assess the environmental impacts. The inter-linkages that AES produces between different parts of the economy, in particular between productive units, local R&D activities, capital-goods manufacturers and financial services, are particularly important. AES services contribute to the transfer of technical knowledge among firms and countries at different levels of development including: (i) embodied technology transfer; (ii) formal instruction through training courses; (iii) on-the-job training; (iv) collaborative management; and (v) technological information, including documentation and computer software.[9] Moreover AES produces different outputs according to the stage of an investment project in order to provide the least-cost and highest-productivity solutions, consistent with the economic and social constraints of individual markets. These stages include: pre-investment (e.g., market studies, feasibility and location studies), project execution (e.g., process and product design, architectural and structural design, design and layout of machinery and equipment, purchasing, inspection and testing of materials and equipment); and project implementation (e.g., production activities, technical personnel training, management personnel training; and maintenance).

14. Foreign billings (table 1), i.e. revenues accruing from foreign operations to the top 225 international design firms (engineers and architects) for the period 1986-1998, rose from US$ 3.5 billion to US$ 16.9 billion, nearly a five-fold increase. The largest single market was Europe (32 percent share), followed by Asia (30 percent). Extraordinary growth took place in North America, Europe, Asia and Latin America over this period. However, much slower growth was evident in the Middle East and Africa. In all regions the dominant providers were developed country firms.

15. Among the top ten suppliers (table 2) of international design exports, in 1998 the USA was the largest provider at 43 percent share, followed by the Netherlands at 14 percent, Canada at 8 percent, and the UK at 7 percent. The values of exports from the Netherlands in this sector rose over the period of fifteen years by a factor of ten, those of Japan by a factor of seven, those of the USA by a factor of six, and those of Canada by a factor of five, while market shares from other European suppliers slipped slightly during the same period. The top ten design firms (table 3) are all from developed countries, all reported 32 to 50 percent dependence on international revenues. The top ten developing country design firms are shown along with their rank within the top 200 in (table 4). Only 15 developing country participants are the top 200 of this sector. Moreover, there is a high degree of concentration: of the total revenues of US$ 481 million for the top ten developing firms combined, more than 40 percent is attributable to one Egyptian firm, and firms from the Republic of Korea together account for almost an equal market share. In total, developing country firms

provided US$ 763 million in exports and accounted for only about 4.5 percent of the global total of this sector.

B. Physical Construction Services (CS)

16. Physical construction services are those required for the physical creation of investment projects. They bring together labor, material and equipment in order to translate the techno-economic specifications produced by the architectural, engineering and design services into concrete physical entities such as industrial plants, infrastructure projects and the like. While construction services require general and specialized engineering and managerial skills, they also make considerable use of unskilled and semiskilled labor. Construction firms can be private or state-owned, sectoral or multisectoral, specialized in certain types of engineering design and construction services or highly diversified. The market structure is characterized by a large number of small firms active in limited geographical areas, and a relatively small number of large firms, which compete in the world market for large-scale projects, from which they obtain at least 35% of their total billings. At present in developed countries, for example, large companies are making increasing investments, while small firms are able to succeed only by offering very low bids. Such uneven performance in the industry itself was also found in developing countries[10]

17. Most of firms active in international markets offer packages composed of a wide range of AES and CS services. The strong interrelationships between these services, and their linkages to sub-sectors have created an environment conducive to inter-firm cooperation, including mergers and acquisitions in the industry. CS has a notable impact on labor markets and acts as a stimulus for employment. Often, construction projects bring expertise and equipment from other countries to on site locations. Specialized firms, such as Manpower, supply such labor for construction projects, which did not repeat themselves.

18. Foreign construction contracts show a rise for the period 1986-1998 from US$ 73.9 billion to US$ 116.4 billion, an increase of 58 percent (table 5).[11] Asia was the largest site for international contracts at 29 percent, followed by Europe at 26 percent. Asia, Latin America, Europe and North American showed relatively strong growth over the period while the Middle East and Africa actually witnessed declines. The value of developing country experts in the CS sector share of the total was US$ 69.9 billion, which significantly, represents 60 percent of the total.

19. The dominant players in the international markets are firms from developed countries (table 6). In 1998, USA firms were the largest suppliers at 24.2 percent, followed by Japan at 14 percent, France at 13 percent, and Germany at 12 percent. Over the period, the value of US exports in this sector actually fell, although this was due to a large number of contracts in the late 1970s in the Middle East. The shares of France and Germany roughly doubled over the period while those of Japan rose four-fold. One interesting feature of the sector is that some firms are engaged not in constructing facilities, but in de-constructing them.[12]

20. There is no clear market dominance by any single developed country firm in the top twenty, which also include a sole developing country firm from the Republic of Korea (table 7). The rankings of firms in this industry change from year-to-year, indicating a highly fluid

and competitive market. The top twenty developing country firms (table 8) come from China (7), the Republic of Korea (6), and Turkey (3). Of the top 225 firms, 61 are from developing countries or 27 percent, indicating a substantial capacity for providing construction services exports. Of these 61 firms, 29 are from China, 7 from the Republic of Korea and 7 from Turkey. No other developing country has more than two firms in the top 225. It is important to note that in the early 1990s, the list was dominated much more by developed country firms.

III. CHALLENGES IN PROMOTING GROWTH AND COMPETITIVENESS IN THE CONSTRUCTION SECTOR

21. In addressing the key factors that can influence the growth and competitiveness of the construction sector in developing countries, the following elements require special consideration.

A. The Special Characteristics of the Market

22. As noted above, the market is dual, in the sense that while there are tens of thousands of firms involved in construction, international trade in construction services involves participation in a relatively limited number of large projects, the nature of which (e.g. energy, transportation, infrastructure, urban construction) fluctuates over time. While there are several large firms based in developed countries which have international billings in the billions of dollars, there are many developing country firms which also have significant international revenue. However, developing country penetration of developed country markets has been insignificant. The nature of the business is that there is a considerable amount of sub-contracting and other forms of cooperation between firms, as it is logical for international firms to seek local partners. This provides opportunities for acquisition of experience and access to technology for developing country firms

B. Difficulties in Access to Financial Resources

23. The ability of firms to translate domestic experience into international competitiveness rests on their securing adequate financial resources for undertaking these projects. The lack of proper financing is eroding the competitiveness of developing country firms not only abroad but also in their domestic markets, where they must compete against better financed foreign firms. Weak or underdeveloped domestic banking systems and an inability to tap international financial markets make it difficult for private companies to obtain credit lines, which often carry high interest rates when obtained. Private investment is scarce in developing country markets, and foreign investment is not always available. Moreover, many construction companies are family owned or are in the hands of a small number of shareholders, who are often not willing to dilute their control in exchange for finance through debt.[13]

C. Importance of Access to Technology

24. The strengthening of domestic and export supply capacity, diversification and specialization in the construction services sector relies upon the effective possibilities for developing countries to upgrade continuously their technological capacity. The limited

capacities of most such countries to innovate remains a source of weakness, particularly because of the growing sophistication and complexity of large-scale construction projects. Information technology has greatly improved the management capacity of the physical construction sector, a crucial factor in international competitiveness. However, developing country firms are at a competitive disadvantage vis-a-vis firms from developed countries, where R&D is supported by government grants and where the use of technology-based methods has led to cost-savings and improved competitiveness.

25. In this context, the special strategic role of the AEC sub-sector should be stressed. While smaller than the physical construction sector in terms of international income, AEC services condition the physical construction services through the technico-economic specifications they establish for individual investment projects and elements of machinery and equipment. The AEC sector has been greatly influenced by information technology. In design, for example, services can now be provided cross-border whereas previously this was impractical The diffusion of information technology in the AEC sector has grown over the last decade, especially in terms of increasing developing country capacity. This is reflected in the adoption of computer-aided design and drafting, which results in a tremendous saving in time and labour costs.

26. In most developing countries, limited financial resources make it very difficult to acquire technology on a commercial basis. Technology transfer may be accomplished either through intra-company or company-to-company operations. Developing country firms have used joint ventures to acquire technology from abroad. A study of 50 large projects undertaken by the 36 largest Canadian engineering firms in developing countries[14] has shown that in most of the cases, technology transfer has been conducted under the clients' initiative either because of government regulation or as part of the requirements by the funding agencies. This study identified the setting up of joint ventures as preferable to other contractual forms of transfer of technology.

D. Multilateral Development Funding and Bilateral Tied Aid

27. As noted earlier over 60% of of the international construction market lies in developing countries and much of this demand is financed under multilateral, regional or bilateral assistance programs, with World Bank financed projects accounting for one third of total international contracts in developing countries. The World Bank commitments of about US$ 25 billion per year generate about US$ 50 billion a year in new investments. About 40,000 contracts are awarded to private firms each year and range in size from thousands to millions of dollars. The World Bank uses an international competitive bidding (ICB) process for awarding contracts. A margin of preference is given to domestic companies and related goods, as well as to domestic contracting services in developing countries[15] to permit developing country firms to obtain the experience necessary to compete in the international market. World Bank data on their projects carried out in 1998 and 1999 indicate that while firms from developed countries dominate the bulk of the projects in developing countries, there are opportunities for developing countries to obtain subcontracting on these projects in their own countries or in World Bank projects in other developing countries.[16]

28. Bilateral development assistance in delivery of specific construction projects is often "tied". In effect this often implies subsidies to national firms for delivering services abroad. This can present barriers to other firms operating in third markets or affect the ability of domestic firms to compete on projects within their own market. Tied aid distorts markets and produces unwanted spillover effects such as the crowding out of other types of capital formation. Thus, the fact that much of the demand in the international market is supported by multilateral or bilateral aid programmes, creates advantages for developing country firms in the form of preferences and local content schemes, but penalizes them when aid is "tied".

E. E-commerce and Construction Services

29. E-commerce has a great potential to open the market for construction services to global competition and to improve procurement practices. Cost-saving benefits follow the on-line linking of all parties involved in the delivery of the construction project through cutting down on the time, travel and courier costs related to project management. Numerous e-commerce sites have sprung up – as an extension of firms operating in the industry or new start-ups – providing construction content[17] for business-to-business transactions. To secure global outreach, companies from different countries have been joining in their efforts (e.g. a new company, AECventure, has four partners from the US, Germany and Sweden who are seeking regional partners to widen the scope of their site). The main objective for the construction industry in "going electronic" is to establish a better matching of prospective buyers and sellers, especially in making requests for proposals, bidding and finalizing the transactions over the Internet. Developing countries' participation in such networks may become vital for their trade, and for obtaining specialized information and training. The e-commerce sites (e.g. AECventure Mercadium) backed by large industry groups, are best positioned to benefit from e-commerce by attracting clients and suppliers. Neutrality of portals containing industry information is particularly crucial since they will be supplying information on the available service providers from developing countries. One such portal the US-based http://www.infrastructureworld.com/ provides this service by connecting public experts, private sector consultants, potential partners and suppliers; more than 35% of it is owned by Bechtel Enterprises Inc. (USA). Co-ownership of portals with developing country partners could be one approach. Alternatively, information on developing regions or countries may be provided separately via specialized portals. For example, to cater to the regional construction needs in the Middle East, the portal http://www.gulfbuildings.com/ has been established to provide comprehensive services to all actors in the construction industry, including information on international projects.

F. Qualification Procedures, Technical Standards and Licensing Requirements

30. Firms attempting to penetrate foreign markets for construction services must conform to numerous regulations, including with respect to the use of land, building regulations and technical requirements, building permits and inspection, registration of proprietors, contractors and professionals, regulations of fees and remunerations, environmental regulations, and fiscal policy measures. Licensing is prevalent, and construction services suppliers have to comply with pre-qualification standards covering the environment, site safety and balance-sheet strength, all of which are particularly stringent in developed countries. Such measures are applied not only at the national level, but frequently at the sub-

federal or local government level. In addition, governments often delegate the setting of standards, certification and recognition of qualifications to specialized professional bodies or private-sector associations; thus, the required licenses may be granted by government authorities at a variety of levels, or even by industry associations. This structure creates a series of costly complications to foreign suppliers, diminishes transparency and facilitates collusion among domestic suppliers as well as other anti-competitive practices.

31. As architectural and engineering services fall into the category of "accredited " services, regulations relating to the recognition of qualifications and access to professional titles, as well as membership in professional associations, present difficulties for foreign professionals, complicated in many cases by nationality and residence requirements, and special requirements arising from government procurement practices. [18]

G. Restrictions on the Temporary Movement of Persons

32. Another crucial aspect is the ability of the companies to bring to construction sites people with the necessary expertise at all skill levels. Thus, restrictions on the movement of persons can affect the competitiveness of firms; some firms from developing countries have derived competitive strengths from their abilities to move whole teams of workers at all skill levels to construction sites, and lose this competitive edge when such access is restricted. The movement of foreign nationals is often subject to visa and residency requirements, and economic needs tests, even for project related work of short duration, and frequently with little transparency as regards the criteria applied in the issuance of visas and work permits, which often appear to penalize nationals of developing countries. The principal restrictions on temporary movement and presence of foreign personnel are in the form of "horizontal" immigration, labour and similar legislation.

H. Commercial Presence

33. The supply of construction services abroad does not usually require long-term commercial presence in that country, however, lack of a commercial presence can present a barrier to obtaining contracts. Regulations of more specific content in the construction sector concern mainly the commercial presence of foreign companies. The ability to bring in the capital and other necessary equipment or rent it locally or in a third country is crucial. There have been a series of acquisitions to obtain market presence, notably in the United States.

I. Government Procurement Practices

34. Construction services procured by governments at all levels are estimated to account for as much as half the total demand for construction services[19]. Thus, government procurement practices, which discriminate in favor of domestic suppliers have a significant impact on trade in this sector. On one hand, agencies implementing government procurement seek to obtain the most for the public money, thus are interested in the lowest cost for the quality ratio. At the same time, government agencies may be concerned with other social issues and, thus, give preferences to small local producers to help them obtain expertise and build their capacities while providing local employment opportunities. Alternatively,

procurement contracts may be awarded with conditionality attached, e.g. for the use of local resources.

J. Subsidies

35. Direct government subsidy and other policies, which may indirectly subsidize industries include: direct financial aid, subsidies to R&D costs, subsidies to capital goods, export credits for feasibility studies, government guarantees for private bank loans, export credits for financing the operational costs of particular projects, public guarantees for private banks loans, tax exemptions and public risk–sharing, including the guarantee of a percentage of contractor profits.[20] Developing countries are unable to match the subsidies available to developed country firms which are often enhanced by tied aid as described above.

IV. POLICY OPTIONS AND STRATEGIES

36. The challenge facing developing countries in the construction service sector is similar to that in other service sectors: to devise national policies aimed at strengthening the competitiveness of the sector, while ensuring that multilateral or regional liberalization initiatives complement these efforts and provide meaningful access to international markets. Experts may wish to comment on the specific national and multilateral policy options suggested below.

A. Promoting Competitiveness at the National Level

37. Specific sectoral policies can foster competitive supply capacity in construction services in the domestic and international markets. The main building blocks of such policies would include:

(a) Human resources development with emphasis on the use of information technology. This appears to be crucial for countries that are targeting greater participation in the AES sector, which is itself critical to the later parts of the construction process. Development of managerial skills is of immediate importance for developing countries. One aspect to be considered concerns "brain drain" from poorer countries to more developed markets.

(b) Funding for research and development. This is necessary for countries aiming at developing construction services in specialized markets. Developing countries can, especially in consortia, compete in certain niches of technological advancement.

(c) Technology transfer. This can be encouraged by appropriate government regulations; joint ventures with developed country partners and local content and manpower training requirements have proved to foster the transfer of technology to developing country firms and their acquisition of specialized experience.

(d) Coherent trade policy. This is necessary to support construction firms thorough appropriate taxation and tariff policy to minimize the burden on services exporters.

(e) Banking and finance. Assistance to firms in obtaining adequate financing through strengthening of domestic banking sector, and support to firms in tapping international financial markets, appear to be crucial policy elements.

(f) E-commerce. Embracing e-commerce rests on the availability of the telecommunications infrastructure and competitive pricing for services. An important step, which needs to be encouraged and facilitated, is ensuring the presence in "B2B" (business-to-business) Internet transactions of information on companies from developing countries. Modalities also need to be established to provide more opportunities to companies from developing countries in access and implementation of international projects.

(g) Targeted export promotion policies in construction services. Governments need to raise awareness of firms on the importance of adopting micro-strategies aimed at:

- *Diversification* into new products or their packages, comparable to the innovations that have revitalised banking and financial service industries. These products or packages do not imply the development of new technologies, but rather the refinement of existing technology to special markets or their segments and rationalization of costs.
- *Innovation* in applying new management methods and in diffusion of technology (on-site production of components would substantially cut transportation costs). This is based on combination of skills and their application in new ways.
- *Adopting computer aided new expert systems*. These have been embraced to cut costs and offer better designs and ramifications of design analyses. Adoption of such systems by developing country firms may enhance efficiency in operations without a need for substantive investments.

(h) Regional integration. This may be an option for building national capacities and niches of specialization. Sub-regional integration agreements among developing countries could adopt provisions for the mutual recognition of diplomas and the free movement of professionals, as well as the liberalization of government procurement practices within the free trade area or customs union. This would be one element in the greater integration of services into such arrangement among developing countries as a means of enabling their firms to build up competitive strengths to compete on world markets,

B. Issues for Multilateral Trade Negotiations

38. Developing countries have an opportunity to pursue improved access to foreign construction markets in the current round of GATS negotiations. At present, the debate is focussing on the guidelines or approaches to negotiations on trade in services. Some countries have suggested a "cluster" approach in which a series of sectors and sub-sectors would be grouped together, corresponding to commercial realities.[21] The objective of forming such clusters can be to seek maximum liberalization commitments for the services within the cluster, as well as to subject trade in the cluster, or the implementation of the specific commitments within the cluster, to common multilateral regulatory requirements. This approach draws from the successful experience of the negotiations on basic telecommunication services, where the final protocol included a "Reference Paper" which set out regulatory principles for creating a pro-competitive environment in the sector. In the course of the current negotiations a proposal has been made for a similar approach to the tourism sector, which would incorporate common principles to combat anti-competitive practices in the sector.

39. Thus an objective of negotiations in the construction sector could be to seek the removal of regulatory barriers to increased developing country exports of construction services, so that the efforts at improving competitiveness, such as those listed in the preceding paragraphs could be translated into increased exports by developing countries. A key aspect to be addressed would be a clear identification of the reasons for the apparent inability of developing country construction firms to win contracts in developed country markets. A general approach to the liberalization of a construction "cluster" would lead to greater developing country participation in world trade in construction services only if the barriers impeding developing country access to construction markets in developed countries could be effectively identified and liberalized in the negotiations.

40. In any future negotiations, developing countries, as major importers of construction services, are likely to be requested to open further their markets. This would involve consideration of under what conditions importation of construction service will maximize their national policy objectives, e.g. encouraging suppliers to establish joint ventures, maintaining local content requirements, manpower training requirements etc. It could also be useful to identify common regulatory principles (i.e. the reference paper approach), which could accompany the process of liberalization directed toward increasing the general level of specific commitments. Such possible principles could attempt to provide a more specific operational character to the provisions of Article IV, which included provision for negotiated commitments relating to the strengthening of the domestic services capacity in developing countries, including through access to technology on a commercial basis, as well as the improvement of their access to information networks and the liberalization of modes of supply of interest to them. In this context, the provisions of Article XIX.2 of the GATS, under which conditions may be attached to market access so as to achieve the objectives of Article IV, are particularly relevant.

41. In addition, specific commitments in the construction sector could be complemented by pro-competitive provisions addressed to measures either peculiar to the construction sector, or which were judged to have a negative impact on trade within the sector. Transparency in government procurement polices, licensing, qualification requirements and procedures and technical standards could be subjects for such sector-specific provisions. Thus, in preparing for the GATS negotiations, expert attention would need to be given to identifying the barriers to the exports of construction services by developing country firms, assessing the importance of such barriers and suggesting possible liberalization measures and commitments. In this connexion, the following issues might be borne in mind:

(a) Restrictions to the *temporary presence of natural persons* abroad present a barrier to the participation of developing county firms in international markets. Possible liberalization could include commitments at the sub-sector or occupational level, or sector – wide provisions relating to visas and economic needs tests. A possible approach could be to select professions and occupations relevant for construction services sector[22] and specify the requirements under which foreign nationals would be permitted to supply their services.

(b) GATS commitments in this sector have focused mainly on *commercial presence* i.e. conditions for investment abroad. Trade through foreign affiliates is usually in cooperation with local partners and commercial presence commitments can lead to transfer of

technology and strengthening he construction sector in developing countries if the appropriate regulatory framework is in place. In addition, business trends are shifting towards expanding co-operation between firms, including strategic alliance in bidding, in which consortia of small firms, from both developing and developed countries, join together to bid on larger projects or for projects that are more specialized in requirements. The private sector may partner with the public sector and with non-governmental organizations in consortia to achieve effective economies of scale for some projects.

(c) *Liberalization of barriers to rental and leasing of equipment* may be important for developing countries: less capital is required to lease than to acquire necessary equipment and machinery for implementation of construction project. Companies may choose to lease this equipment with operators from abroad for implementation of the project in the third country.

(d) GATS Article XV obliges members to enter into negotiations to develop disciplines to avoid the trade distorting effects of *subsidies on trade in services*. The OECD Arrangement on Export Credits, currently under negotiation, intends to cover practices in this area and to restrain the use of subsidised export finance, including tied-aid credits for goods and services.[23] Some elements may be useful for consideration in the GATS context.

(e) *Government procurement*. Article XIII exempts all services purchased by governmental agencies for governmental purposes and not with a view to commercial resale, or with a view to the use in the supply of services for commercial resale, from the MFN, market access and national treatment provisions of GATS. The same Article provides that there shall be multilateral negotiations on government procurement on services within two years of entry into force of the WTO (i.e. beginning in 1997), but these have not so far produced any concrete results. Given the importance of public procurement in the construction sector, these provisions in fact exclude much of the trade in the sector from GATS disciplines. However, construction services have been included in the schedules under the plurilateral Government Procurement Agreement to which few developing countries are members[24] (a dispute relating to the implementation of this Agreement in the construction sector has recently been brought before the DSB in the WTO). Developing countries have not wished to participate in the GPA, and have been reluctant to embrace the initiative to establish greater transparency in the pre-Seattle process. This is based on the general perception that by opening their government procurement to international tendering they will permit foreign firms to capture a significant part of their domestic business while their firms will be precluded from gaining access to foreign government procurement markets due to financial and technological weaknesses or due to the various other barriers (i.e. those mentioned above) that they will face[25]. Given the significance of government procurement in influencing trade in construction services, the sector-specific approach to this issue could be considered.

(f) *Multilateral and bilateral funding* could provide a niche for export of services from developing countries, if a pro-development orientation (such as that currently maintained by the World Bank) were to enable domestic construction companies to gain experience and improve their capacities by being subcontracted for implementation of such projects. Although controversial, some observers argue that, in this context, local content and transfer of technology provisions could be one way to offset the adverse affects on

developing country importers and exporters of tied aid. Guidelines for bilateral aid could be liberalized to allow more influence in the project execution by the receiving country and to open "tied aid" to international competitive bidding.

(g) *Domestic regulation*. Meaningful access to markets for construction services requires that measures relating to qualification requirements for companies, also procedures, technical standards and licensing requirements be effectively addressed. The work being conducted in WTO pursuant to Article VI of GATS in a horizontal context could be intensified with respect to the construction sector. Thus, any construction "cluster" could be accompanied by specific provisions for dealing with the multiple regulations and standards applied at various levels of government to ensure that they did not frustrate market access and national treatment commitments. In this context is should be noted that the GATS applies to regional or local governments and authorities as well as non-governmental bodies, in the exercise of powers delegated by central, regional or local governments or authorities.

(h) *Recognition of qualifications of professionals*. National professional associations from developing countries could promote establishment of international standards for professions where common interests exist with developed countries. In addition, they might wish to take an active role in this process so that any eventual agreement on standards would meet their expectations and not become a new barrier. They could also pursue mutual recognition agreements[26] making use of their rights under GATS Article VII.

C. GATS Specific Commitments

42. Among 137 WTO members 78 have undertaken specific commitments in construction services, which identified barriers that foreign service suppliers face in entering their market and in national treatment. All 78 countries, which include the major players in the international markets, have defined – in full or with some limitations – trade barriers for commercial presence. Among them, 44 countries do not impose any trade limiting measures for companies supplying services in construction services.

Barriers to foreign commercial presence[27]

	Market access	National treatment
Developing countries	Economic needs test; permit; authorization; Access only for projects over $100 million; joint venture, partnership, contractual association is required; foreign equity limited to 49 % to 51%; Compulsory sub-contracting system.	Preferential use of local services; Government approval necessary; Employment and training of local executives; License valid for 3 years; joint operation with local company which is a member of Contractors' Association; foreign equity limited to 49 %; one third of joint stock company's board of directors and 50% of staff must be nationals.
Developed countries	Local incorporation is required; Exclusive rights for construction, management and maintenance of highways and airport; Nationality condition for managers of the board of directors.	Non-resident must make a deposit or guarantee under the contract (4 or 6 per cent of the contract amount)

Annex[28]

Table 1
Regional distribution of foreign billings of the top international design firms
(Millions of US dollars)

Year	Africa	Asia	Latin America	Middle East	Europe	North America	World
1986	855	982	321	907	314	161	3,540
1987	949	1,134	435	742	532	231	4,017
1988	824	1,158	322	809	622	429	4,200
1989	938	2,000	444	803	1,770	1,434	7,422
1990	894	2,340	648	1,210	2,340	1,370	8,829
1994	1,178	3,327	872	1,020	3,171	1,590	11,183
1995	967	3,523	826	1,045	3,420	1,261	11,012
1996	1,169	4,507	1,100	1,293	4,414	1,954	14,458
1997	1,175	5,282	1,133	1,357	5,036	1,830	16,031
1998	1,399	5,006	1,608	1,701	5,443	1,780	16,972

Table 2
National market share in international design exports (Millions of US dollars)

Country	1983	1985	1990	1994	1995	1996	1997	1998
USA	1,204	1,165	3,728	3,525	4,687	5,808	7,012	7,359
France	361	239	425	533	494	523	631	772
Germany	253	230	422	708	483	699	624	759
UK	592	463	1,539	2,114	832	1,950	2,088	1,133
Canada	269	266	510	668	842	1,077	1,222	1,314
Japan	127	225	285	424	452	612	598	993
Netherlands	203	219	589	1,562	1,417	1,705	1,785	2,194
Other	841	832	1,329	493	1,575	1,834	1,975	2,346
Europe					1,018	960	1,132	1,288
Other					557	874	843	1,058
Total	3,850	3,640	8,829	11,183	11,012	14,458	16,031	16,972

Table 3
Top 10 international design firms
(By international revenues in 1998, millions of US dollars)

Rank*	Firm	Country	Type**	Revenue	Foreign %
1	Fluor Daniel	USA	EC	797	32
2	Nethconsult	Netherlands	E	777	50
3	Kellog, Brown & Root	USA	EC	704	39
4	Bechtel	USA	EC	688	36
5	SNC-Lavalin	Canada	E	619	38
6	ABB Lummus	USA	EC	606	46
7	Fugro	Netherlands	ENV	600	47
8	Foster Wheeler	USA	EC	501	35
9	Jaako Poyry	Finland	E	440	46
10	JGC	Japan	EC	362	45

* Rank thereafter is based on ENRs top 225.
** EC= engineer-contractor; E= engineer; ENV= environmental.

Table 4

Top 10 developing country international design firms
(By international revenues in 1998, millions of US dollars)

Rank	Firm	Country	Type*	Revenue	Foreign %
13	Dar Al-Handasah	Egypt	EA	306	50
35	Daelim	Korea, Rep.of	EC	118	48
49	Samsung	Korea, Rep.of	EC	97	36
58	China Natl Chem.	China	EC	70	38
65	Hyundai	Korea, Rep.of	EC	60	35
80	SK Engineering	Korea, Rep.of	EC	39	27
88	Khatib & Alami	Lebanon	EA	34	35
129	Tahal	Israel	E	17	36
152	China Intl Water	China	EC	11	37
154	Murray & Roberts	South Africa	EC	11	30

* EC= engineer-contractor; E= engineer; ENV= environmental; EA= architect-engineer.

Table 5

Regional distribution of foreign construction contracts[29] (Billions of US dollars)

Year	Africa	Asia	Latin America	Middle East	Europe	North America	World
1986	13.2	17.3	5.2	16.1	11.9	10.4	73.9
1987	9.0	15.5	7.4	13.4	17.2	11.5	73.9
1988	10.1	20.5	7.5	17.4	19.4	19.2	94.1
1989	14.3	24.5	7.6	17.8	25.4	22.7	112.5
1990	15.2	27.1	5.8	19.9	30.4	21.6	120.0
1994	9.1	31.0	6.4	11.0	21.2	13.4	92.2
1995	9.2	38.0	7.2	10.2	28.1	12.2	105.0
1996	9.4	36.4	8.4	10.3	28.8	14.0	107.6
1997	9.5	34.8	9.6	10.5	29.5	15.8	110.2
1998	11.2	33.8	10.6	14.3	30.7	15.7	116.4

Table 6

National market share in foreign construction contracts[30] (Billions of US dollars)

Country	1980	1985	1990	1994	1995	1996	1997	1998
USA	48.3	28.2	43.6	14.9	17.4	21.0	24.6	28.2
France	8.1	6.7	10.4	11.6	16.3	16.4	16.5	15.4
Germany	8.6	5.4	9.2	10.2	11.8	10.6	9.4	13.8
UK	4.9	5.6	12.5	11.4	5.1	8.9	12.7	4.5
Canada				0.2	0.7	0.8	0.9	0.3
Japan	4.1	11.6	16.8	18.8	22.4	17.7	12.9	16.4
Nethrlnd				3.3	3.2	2.4	1.5	5.2
Italy	6.2	8.7	13.4	7.5	9.9	8.1	6.3	4.9
China				2.9	3.0	3.9	4.9	5.0
Korea	9.5	4.8	Na	3.0	4.6	4.8	4.9	4.7
Other	18.2	10.6	14.2	8.5	10.6	13.5	16.3	17.9
Europe	9.2	6.2	6.5	4.6	6.3	8.1	9.9	10.1
Other	9.4	4.4	7.7	3.9	4.3	5.5	6.7	7.8
Total	108.3	81.6	120.0	92.2	105.0	107.6	110.2	116.4

Table 7

Top Twenty International Foreign Construction Firms
(By international revenues in 1998, millions of US dollars)

Rank	Firm	Country	Revenue
1	Bechtel	USA	6,022
2	Fluor Daniel	USA	5,343
3	Bouygues	France	5,280
4	Skanska	Sweden	4,825
5	Kellogg, Brown & Root	USA	4,772
6	Hollandische Beton Groep	Netherlands	3,540
7	Groupe GTM	France	3,438
8	SGE	France	3,359
9	Hocktief AG	Germany	3,312
10	Philipp Holzman	Germany	3,229
11	Bilfinger and Berger	Germany	3,069
12	Foster Wheler	USA	2, 205
13	AMEC	UK	2,180
14	JGC	Japan	2,054
15	TECHNIP Group	France	1,943
16	Chiyoda	Japan	1,890
17	Hyundai Eng. & Construct.	Korea, Rep.of	1,847
18	Obayashi	Japan	1,733
19	Toyo Engineering	Japan	1,682
20	Nishimatsu Construction	Japan	1,643

Table 8

Top 10 developing country construction firms
(By international revenues in 1998, millions of US dollars)

Rank	Firm	Country	Revenue
17	Hyundai Eng. & Construct.	Korea, Rep.of	1,847
35	Joannou Paraskevaides	Cyprus	829*
45	Murray & Roberts	South Africa	565
59	China Petroleum Eng.	China	483
60	Samsung	Korea, Rep.of	468
62	China Harbor Eng.	China	465
63	Paul Y-ITC	China	463
72	Enka	Turkey	378
75	Construtora	Brazil	340
77	China Civil Eng.	China	322
78	Ssangyong	Korea, Rep.of	306
80	POSCO	Korea, Rep.of	261
85	Tekfen Construction	Turkey	243
88	China Road & Bridge	China	236
90	STFA Group	Turkey	233
94	Bufete Industrial	Mexico	225
95	Daelim	Korea, Rep.of	224
98	Hyundai Engineering	Korea, Rep.of	205
100	Dongfang Electric	China	203
101	China Intl Water & Elec.	China	199

* 100 percent of revenues was from overseas work.

Endnotes

[1] See WTO "Construction and Related Engineering Services", S/C/W/38.

[2] Engineering News Record, 5 June 2000.

[3] However, in 1997, firms from several developing countries were active in developed countries markets, Chinese, Korean and Brazilian firms in the EU and USA, ENR 1998.

[4] During the privatisation of the Mexican railway in 1996, the Mexican shipping company TMM brought in 51% and Kansas City Southern Industries 49% of the capital to bid jointly for a concession of the north eastern branches of the railway network.

[5] Malaysian firms co-operated with firms from the Republic of Korea, India, the Taiwan Province of China, and Singapore in the design and construction of investment projects, particularly in infrastructure projects such as the Malaysian-Korean arrangement for the construction of the 13.5 Km long Penang Bridge in Malaysia. In industrial sectors such as textiles, an Indo-Malaysian venture has allowed technical personnel from Malaysia to be trained in the building of modern textile mills.

[6] For example, during the 1990s Spanish construction companies sought to diversify their range of activities and develop a larger volume of international business. As a result, in 1998, Grupo Dragados, San Sebastian de los Reyes did some 25% of its business outside Spain, mostly in Latin America, with diversification towards transport projects and urban environmental services, and it also began modernization and management of the Colombian railway, while Fomento de Construcciones y Contratas SA, Madrid invested in vehicle inspection stations and rubbish collection service in Argentina's main cities.

[7] A leading contractor in Thailand, Italian-Thai Development, succeeded in diversifying into the regional offshore and the Middle East market and generated 30% of income from its business there.

[8] For example, Bechtel (USA), one of the top contractors in the world, found that the establishment of low cost execution centres in India and Saudi Arabia manned by local and third country professionals was more advantageous than subcontracting engineering design work to firms in the UK.

[9] Y. Soubra, " International Competitiveness and Corporate Strategies in the Construction Sector" in Coalitions and Competition: The Globalisation of Professional Business Services, eds. Yaharoni, Routledge, London, U.K., 1993.

[10] In 1999 in Peru, 60% of companies were working at only one-quarter of capacity and were bidding below their costs just to stay in business, while the construction sector as a whole reported exceptional growth of 11.9 percent.

[11] Note that the "trade" figures for AES (foreign billings) and CS (foreign contracts) are not strictly comparable.

[12] Bechtel Enterprises Inc. (USA), for example, has a US$ 27 million contract to dismantle intercontinental ballistic missile silos in Ukraine.

[13] The case of the Republic of Korea demonstrates how the lack of adequate financial resources has led to a substantial decline in earnings since the 1980s. In the early 1980s, the Republic of Korea was the number two construction exporting country trailing only the United States firms with 11 percent share of the global market. For implementation of projects in the Middle East, financing was made readily available in the same market to Korean companies. The combination of stiffer competition and rising labour costs led to its loss of the leading position in this market. By 1990, its share had become negligible and since then it has only slowly rebuilt its standing in the market. However, the importance of finance for the construction industry has now been recognized. Four Korean law firms now specialize in arranging finance for construction projects, including for a thermal power plant construction project in China, a hydro power plant in Lao PDR and for various other domestic and foreign power projects." International Centre for Commercial Law, Korea, http://www.icclaw.com/as500/edit/sk16.htm.

[14] Niosi, Jorge 1995 (1995) "Technology transfer to developing countries though engineering firms – the Canadian Experience", World Development, Vol. 23 No. 10 pp 1815-24.

[15] When at least 30 percent of the manufactured goods in a project originate in the country of work, the bidder can reduce the bid by 15 percent or more if the applicable import tariffs are higher than 15

percent. Likewise, there will be a preference to the local supply and installation of plant and equipment. A domestic civil works contractor is given a preference of 7.5 percent against a foreign contractor. This latter preference is available only to low-income countries.

[16] South Africa, for example, provided services for projects in Uganda, Mozambique, and Lesotho; El Salvador did for a project in Nicaragua; also Trinidad and Tobago for a project in Guyana; Turkey for a project in Lebanon; Hong Kong China for a project in Vietnam; Iran for a project in Tanzania; Algeria for a project in Mali; and Thailand for a project in Cambodia.

[17] Such content could be seen at http://www.construction.com/.

[18] See WTO document "Architectural and Engineering services" S/C/W/44,1998.

[19] WTO document "Construction and Engineering Services" S/C/W/38 1998.

[20] The 1997 Knaepen Package Agreement on Guiding Principles for Setting Premia and Related Conditions came into effect on 1, April 1999. Its key components include the following: (1) an econometric model to assess country risk; (2) initial minimum premium benchmarks assigned to seven country risk categories; (3) some differences in the minimum rates to be applied according to the quality and percentage of cover being provided (i.e. premium rates reflect different related conditions to provide a level playing field from the viewpoint of the exporter); (4) review procedures to ensure that, over time, the rates remain commensurate to risk and do not become inadequate to cover long term operating costs and losses; (5) a comprehensive Electronic Exchange of Information in order to maintain maximum transparency between the Participants. The rules apply to all officially supported export credits whether provided by direct financing, refinancing, insurance or guarantees.

[21] Alternatively, construction in AES services could be included in clusters related to other sectors, such as energy or environmental services. See Rachel Thompson, "Integrating Energy Services into the World Trading System", Washington, D.C. Energy Services Coalition, April 2000.

[22] A useful guide in this respect is the ILO International Standard Classification of Occupations, 1988.

[23] See endnote 21.

[24] Some developing countries which have recently acceded to the WTO have accepted to enter into negotiations to adhere to the GPA.

[25] The counterpoint to this argument is that the services so obtained would be provided at more competitive prices than local firms could achieve (else the local firms would win the contracts) thus stimulating development and growth elsewhere in the economy. Where the balance between these two concerns lies is a matter for judgment by each country.

[26] Mutual recognition agreements have been negotiated bilaterally e.g. between Canada and the United States on the certification of architects, as well as plurilaterally, e.g. the "Washington Accord" on engineering qualifications involving several developed and developing countries. Organization such as the UIA (Union Internationale des Architectes) and the FEANI (Féderation Européene d'Associations Nationales d'Ingenieurs) promote mutual recognition of qualifications. The contact points established by developed countries under Article IV of GATS supply information on the registration, recognition and obtaining of professional qualifications. Developing countries may wish to identify areas and markets of their export interest and request such comprehensive information to be published systematically and in an easy-to-use format.

[27] Based on national schedules of GATS specific commitments in construction services.

[28] Tables are based on data reported in various issues of *Engineering News Record.*

[29] Note: These time series are not directly comparable. The data for 1980-1990 include the top 250 contractors and those thereafter include only the top 225. Moreover, the earlier data is based on a contract basis and the latter on an annual basis. 1996 is an estimate.

[30] As above.

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REPORT OF THE EXPERT MEETING ON NATIONAL EXPERIENCES WITH REGULATION AND LIBERALIZATION: EXAMPLES IN THE CONSTRUCTION SERVICES SECTOR AND ITS CONTRIBUTION TO THE DEVELOPMENT OF DEVELOPING COUNTRIES

Held at the Palais des Nations, Geneva,
from 23 to 25 October 2000

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I. OUTCOME[1]

1. The Expert Meeting on National Experiences with Regulation and Liberalization: Examples in the Construction Services Sector and Its Contribution to the Development of Developing Countries was held in Geneva from 23 to 25 October 2000 upon the decision of member States taken at the consultations of the President of the Trade and Development Board on 31 March 2000 in accordance with paragraph 134 of UNCTAD X's Plan of Action as contained in document TD/386. The following is the outcome of the Expert Meeting. In accordance with the Trade and Development Board's decision taken at its twenty-fourth executive session, the outcome will be circulated by the secretariat to member States with a request for policy comments on the experts' recommendations. The responses of member States will be taken into account in the preparation of the secretariat documentation for the fifth session of the Commission on Trade in Goods and Services, and Commodities, to be held from 19 to 23 February 2001.

2. Individual experts put forward their views on how Governments of developing countries could play an active role at national level and in multilateral negotiations in order to promote development of their construction services sector. The following text summarizes their suggestions. It is intended to reflect the richness and diversity of the views expressed.

A. Domestic policy instruments and strategies aimed at building domestic capacities in the construction services sector

3. The construction services sector in developing countries is a fundamental economic activity which permeates all sectors of the economy. It is an instrument for employment creation, a key infrastructure service and a tool for upgrading welfare. It consists of two subsectors: architectural and engineering design services and physical construction services. This sector has a major role to play in achieving social and economic development objectives in developing countries; local firms and professionals should be fully involved in this process.

4. The development of a strong domestic construction services sector should be supported by instruments of industrial policy, human resource development and macroeconomic policies, and by removing unnecessary bureaucratic obstacles internally. Adequate funding for research and development is an essential component of such policies. Countries should ensure that macroeconomic policies, particularly fiscal policies, avoid onerous internal taxation of construction firms and high tariffs on essential equipment. The right policy mix can be achieved only if dialogue is maintained between all stakeholders in the private and public sectors of the economy.

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[1] As adopted by the Expert Meeting at its closing plenary meeting on 25 October 2000.

5. One element of policy is to stimulate the growth of domestic architectural, engineering, design and construction firms, as well as their technological capabilities, by improving their competitive position and ensuring their effective participation in construction linked to social programmes, e.g. housing, energy, industrial and infrastructure projects. Local companies need to follow a "learn by doing" approach. Once they have accumulated expertise and strengthened their competitiveness, these may be translated into export capacity. The development of the project management and design subsectors can provide a lead into foreign markets.

6. Another element is to seek to upgrade capacity through the establishment of local and regional professional associations and create a mechanism for the effective recognition of qualifications for professionals and firms, where they do not exist, based on progressive implementation of international standards. The policies and legislation to upgrade the capacity of the construction services sector should include provisions to encourage the transfer of technology to domestic firms through joint ventures and other forms of partnership with foreign firms, and various other forms of performance requirements, which are consistent with multilateral disciplines. Transnational firms from developed countries should be encouraged to enter into such partnerships.

7. Human resource development should be targeted at the training of highly skilled professionals, as well as other workers, in order to fulfil the requirements of the sector, with emphasis on the use of information technology. The private sector may contribute to training and upgrading of skills which are in short supply domestically and for which training is not provided in the established educational institutions. National and international measures are needed to discourage "brain drain".

8. All countries should establish appropriate institutional and legal frameworks to effectively monitor and regulate the construction services sector. Such frameworks should provide for transparency and effective recourse against anti-competitive practices, as well as providing an effective arbitration mechanism for settling disputes. The construction services sector can be used to generate indirect benefits, such as addressing rural poverty and opportunities for women.

9. The export capacity of developing countries requires the support of export promotion policies. These could include export financing aimed at the specific needs of the construction services sector, for example the financing of pre-investment services, as well as active participation in international negotiations aimed at the reduction and elimination of barriers.

10. National Governments should take the lead in building the capacity of the architectural and engineering and construction services, and should seek technical assistance from the international financial institutions and other international organizations geared towards those objectives.

B. Action in international trade negotiations

11. In participating in multilateral trade negotiations, developing countries should identify areas of trade liberalization according to their economic and social development goals. Negotiations should take into account the level of development of the developing countries, and special treatment should be accorded to the least developed countries in order to take account of the asymmetries due to the size of their markets, structural weaknesses of those markets and human capacities.

12. In the negotiations under the General Agreement on Trade in Services (GATS) countries should aim at effective implementation of Article IV of the GATS as it applies to the construction services sector. This article stresses that the increasing participation of developing countries in trade shall be facilitated through negotiating specific commitments which will: (i) strengthen the domestic capacity of their domestic service suppliers through access to technology on a commercial basis; (ii) improve their access to distribution channels and information networks; and (iii) liberalize market access in sectors and modes of supply of export interest to them. This provides the framework for developing countries to acquire knowledge and transfer of technology as a way to develop domestic capacities in the construction services sector. Any consideration of specific classifications or methodologies to be used as tools or aids for negotiations should ensure that the architecture of the GATS is not modified and should have as its objective the effective implementation of Article IV in the construction services sector.

13. The GATS negotiations should also address measures which impede the ability of developing country firms to compete in their own markets or those of other countries, including subsidies, tied aid, discriminatory qualification requirements and anti-competitive practices.

14. Developing country Governments should identify in a precise manner the need for new rules and the main trade barriers affecting their trade in the construction services sector, so as to seek their removal in the GATS negotiations, particularly those which impede the ability of their firms to penetrate developed countries' markets. These include restrictions on the temporary movement of personnel, discriminatory and non-transparent licensing and standards, non-recognition of professional qualifications, problems of access to networks for the supply of construction services, discriminatory government procurement practices against developing countries' construction services providers, subsidies and discriminatory tax policies. In all cases developing countries should define how the disciplines applicable to these restrictions will preserve special and most favourable treatment.

15. It was suggested that an Annex on Construction Services could be prepared in order to overcome the slow progress in the various subsidiary bodies of the WTO Council for Trade in Services working on additional disciplines for trade in services. The annex could consider the various subsectors of construction services, and could cover specific provisions of relevance to construction that would ensure compliance with Articles IV and XIX of the GATS in the areas listed in paragraph 14 above.

16. To implement effectively development objectives in the construction services sector, developing countries should make use of performance requirements which are GATS-consistent. In that respect, they may use local content requirement related to services, as well as requirements of associations and joint ventures, so as to include local companies in the design and implementation of construction projects, and should ensure that any commitments or rules that they accept permit the policy flexibility needed.

17. Developing countries should bear in mind that Article XIX of the GATS enables developing countries to seek commitments in the construction services sector, without symmetrical opening of their own country markets, as they are permitted to open fewer sectors and may offer reciprocal commitments or concessions in other sectors. Under this article, the process of liberalization must take into account national policy objectives and the level of development of developing countries, while market opening should correspond to the development situation in each market.

18. Trade among developing countries should be promoted in the construction services sector, including trade in related equipment, materials and the movement of qualified personnel. Preferential treatment within the framework of subregional agreements among developing countries can provide opportunities for developing country construction services firms, including through harmonized legislation.

19. Progressive trade liberalization may be promoted in those subsectors that contribute most to the development and achievement of social objectives, as in the case of housing.

20. The minimum requirement for the qualification of architects and engineers adopted by the International Union of Architects and other international professional associations and bodies may serve to promote work in the WTO in the area of mutual recognition of qualifications.

21. Efforts should be made to achieve mutual recognition of diplomas and curricula, especially between developed countries on the one hand and developing countries on the other, insofar as this is a precondition for developing country professionals to provide their services abroad. These goals can be easier to achieve in the framework of regional groupings. Mutual recognition of qualifications should not be limited to professionals but also include skilled personnel.

C. Action by international financial agencies and donors

22. International funding agencies should take positive measures to actively promote the participation of developing country firms in the design and execution of construction projects. Therefore, they should not impose requirements that developing country firms are by and large unable to meet.

23. Multilateral financial institutions and donor countries should support domestic policies aimed at developing national capacities, including through associations of firms, and provide all the required incentives through specific programmes related to the transfer of technology.

24. Transparency in bidding regulations should be implemented for multilaterally financed projects. Procedures should be put in place to ensure that the preferences and other conditions contained in the guidelines of financial institutions favouring domestic suppliers are made public and are applied in the recipient countries.

25. Flexibility in the rules of the multilateral financial institutions allowing non-mandatory performance requirements should be implemented effectively, particularly the introduction of evaluation criteria in international tendering which would favour a commitment to transfer of technology and voluntary association agreements between foreign and domestic firms in developing countries aimed at promoting learning-by-doing processes.

26. Harmonization of rules for procurement in order to enhance transparency and fairness in bidding procedures should take into account multilateral trade rules and specifically the outcome of negotiations on government procurement mandated under Article XIII of the GATS. Such harmonized rules should not affect the definition of national policies aimed at the development of various sectors.

D. Recommendations to UNCTAD

27. This Expert Meeting has been the first of its kind at the international level to focus on the needs of developing countries in the construction services sector. Both public and private actors working in the area of construction services have felt for years a need to address issues specific to construction services in a comprehensive manner, but no international organization has done this so far. A number of new issues which have also arisen in the area of international trade have a direct or potential impact on the evolution of the construction services sector at the national level, but awareness of them has been non-existent or minimal in most of the developing countries and also in some developed countries.

28. UNCTAD should promote the continuation of dialogue and awareness building in collaboration with other international and regional organizations and bodies in the area of construction services. In particular, a model law for promoting the development of an efficient and competitive construction services sector might be needed. UNCTAD should work with the United Nations Commission on International Trade Law (UNCITRAL) to assess the feasibility of drafting such a law. UNCTAD should also endeavour to include legislation and regulations affecting trade in construction services in its Measures Affecting Service Trade (MAST) information database.

29. UNCTAD should continue playing a role in supporting the participation of the developing countries in the area of multilateral trade negotiations by better defining available options in those negotiations and identifying barriers to trade in the construction services sector and possible conditionalities in order to enhance internal regulations and their effectiveness in achieving national policy objectives.

30. UNCTAD should organize a follow-up meeting in the area of construction services so that countries would have a forum for addressing their problems, exchanging new ideas and assessing how successful they were in addressing problems identified in previous meetings at national, regional and multilateral levels.

31. UNCTAD should organize workshops and seminars at the regional and national levels for the purpose of promoting contacts among policy makers, the private sector and trade negotiators. These meetings should involve representatives from the construction services sector. Professional associations and bodies in developing countries should also become involved in the UNCTAD programmes aimed at capacity building in services.

II. CHAIRPERSON'S SUMMARY

A. Presentations by experts on country experiences

32. Individual experts made presentations, in their own capacity, on experiences with regulation and liberalization in the construction services sector in the following countries: Bangladesh, Colombia, Cuba, Dominican Republic, Egypt, Ethiopia, Indonesia, Iraq, Japan, Lesotho, Mauritius, New Zealand, Pakistan, Paraguay, Romania, Samoa, Tunisia, Turkey, United Republic of Tanzania, Venezuela and Zimbabwe.

Experience of Bangladesh

33. The Government of Bangladesh has been pursuing a policy of promoting a competitive market-based economy through financial and industrial policy reforms, as well as trade liberalization. This is geared towards creating an enabling environment for the private sector in general. Major challenges faced by the Bangladesh construction sector in this context relate to how to improve the local technological capacity through technology transfer, enhance competition in the domestic market and improve the competitiveness of domestic industries through efficiency gains. The domestic construction services sector is subject to stringent legal controls, which are justified on social and developmental grounds since they are aimed at the protection of workers' rights, safety and health as well as the orderly development of the industry. Technical regulations establishing what types of materials, construction techniques and skills can be used in the construction process have resulted in the origin of their suppliers being ascertained. The import dependence of the Bangladesh construction industry as regards input materials explains the need for such regulations. Laws and regulations could usefully be further tailored to promote the wide-scale adoption of local materials, construction techniques and skills in order to foster the development of the domestic industry. With a view to strengthening the competitiveness of local industry, policies should aim at "slicing and packaging" larger construction projects so as to create opportunities for domestic contractors; limiting bidding to technically and financially capable suppliers; prohibiting in principle the pre-qualification of suppliers of goods or equipment; ensuring that technical specifications are not too prescriptive; ensuring that standards other than standards specifically stated in the bidding are recognized, provided that they ensure an equal or higher quality than the standards specifically mentioned; ensuring fair and equal opportunities for all bidders in the tendering process; and providing compensation for delays in payment in government-financed projects.

Experience of Colombia

34. The Government has been carrying out a programme aimed at strengthening the supply capacity of firms in the construction services sector and creating mechanisms to promote exports of construction services. With regard to the domestic demand for construction services, physical infrastructure projects in the areas of housing, health, education and transport predominate. Having accumulated expertise in all these areas, a

number of Colombian firms have penetrated markets in Central America and the Andean countries. In order to enhance firms' export capacity, the Government is providing potential exporters with information on market opportunities abroad, advisory services, training programmes, financial incentives and special credits at low interest rates to help them penetrate foreign markets. Harmonization of the fiscal system and the elimination of onerous taxes should be pursued domestically. There is a need to establish minimum international standards for construction work. Regulations concerning the movement of labour should be harmonized at regional and international levels in order to facilitate the movement of construction workers and professionals at all skill levels.

Experience of Cuba

35. The implementation of national policies for developing architectural and engineering services (AES) and construction services has three main priorities. The first is the strengthening and upgrading of AES firms' capacity so as to enhance their competitiveness in the national market and to help them acquire greater technological endowments, thus enabling them to benefit from supplying services to open markets abroad. National efforts are oriented towards implementation of a coherent and integrated policy framework to help national enterprises in the construction sector retain a greater share of value added, and to promote employment of national professionals. The participation of foreign firms in Cuba is conditional both on a high level of participation by national firms and on a substantial transfer of know-how. The second priority is to ensure that national companies and professional entities, as well as foreign companies operating in the country, meet the highest standards of quality and advanced technology. The third priority is to create a specialized institution responsible for monitoring and assessing the activities of AES firms, including establishment of a national register of firms and contractors, a register of professionals in the construction sector and implementation of new rules for bidding and tendering for construction projects. Lastly, there is a need to enhance the capacities of all actors in the national economy with regard to the General Agreement on Trade in Services (GATS) and other trade issues, including the compatibility of domestic regulations with the multilateral trade rules.

Experience of Dominican Republic

36. Construction in the Dominican Republic grew at the rate of 18 per cent in 1999 and represented 13.4 per cent of gross national product (GNP). Half of the latter figure was accounted for by government procurement of construction for infrastructure development. Regional trade in Central America and the Caribbean is also beginning to play an increasingly important role. However, the overall picture in developing countries indicates that they are only marginal suppliers of architectural and engineering services that provide the higher value added. The main trade barriers facing developing countries' exports in the area of architectural and engineering services include qualification procedures, licensing requirements, barriers to electronic provision of services, technical standards and subsidies. At the same time, restrictions on the movement of personnel, government procurement practices and subsidies are limiting exports of physical construction services from developing

countries. Ongoing and new negotiations on services are particularly relevant to construction services in respect of subsidies, government procurement and domestic regulation. The basic objective is to achieve a progressively higher level of liberalization, and to do so, developing countries should seek to deal more effectively with the regulatory problems that are distorting trade in construction services. Therefore, an Annex on Construction Services could consider specific provisions of relevance for construction that would ensure compliance with Articles IV and XIX of GATS in the following areas: subsidies, recognition of professional qualifications, barriers to movement of personnel, access to networks for cross-border supply of construction services, government procurement — including transparency, market access, national treatment and special and most favourable treatment for developing countries — and sectoral coverage.

Experience of Egypt

37. The construction and housing sector accounts for 5.8 per cent of total gross domestic product (GDP) in Egypt and has been growing at an annual rate of 10.5 per cent since 1998. Local enterprises control 70 per cent of the construction market, with the private sector as the major player, while the large foreign firms, which usually form a consortium with Egyptian partners, control the rest. Egyptian firms have benefited from work with foreign firms in obtaining technical know-how. Projects, which are delivered through bilateral assistance, continue to play an important role in upgrading infrastructure. A strong demand for construction services is expected to be maintained in Egypt, resulting from the construction of new plants for industrial development and new hotels for development of the tourism sector, the extension of infrastructure facilities for distribution of gas, and the building of new roads, railways and private airports. To maintain the competitiveness of Egyptian firms, the Government must increase investment in knowledge and technology relevant to supporting the development of the construction industry. Furthermore, firms must be encouraged to upgrade their capacities and emphasize innovation, managerial skills and the use of new technologies. One of the largest contracting firms in the Middle East — Osman A. Osman & Co. — has been successful in carrying out those tasks and has seen its turnover increase by US$ 1 billion on a yearly basis. It has diversified in terms of services and markets and currently has 30 branches in Africa, Asia and Europe.

Experience of Ethiopia

38. Developing countries are confronted with high population growth, rapid urbanization and poor housing and living conditions. These factors have generated a demand for urban development and the creation of infrastructure, which despite the positive multiplier effect on the economy have proceeded at a slow pace and have been unable to meet existing needs. As a result, financially feasible and technically sound housing programmes, interlinked with the provision of infrastructure, have become very important to Ethiopia, and have had to be supported by clearly formulated policies and legal framework regulations giving more power to local governments. In the area of road development, both the maintenance and the upgrading of roads to expand the network are important. Foreign firms' contribution to capacity building in local construction services is positive since they subcontract local

contractors and engage local consultants. Foreign participation in the construction sector is considerable, especially in the implementation of development-oriented projects. Regional governments are focusing on the implementation of programmes related to social services, e.g. building of schools or medical facilities. Large-scale construction projects are beyond the scope of local firms, and limiting foreign companies' market access would delay project implementation. The lack of skilled and experienced professionals, and the knowledge and skills deficiency of staff, are the key factors hampering the performance of local firms in the construction sector. The skills shortage, which is a major problem, can be overcome in the short term only by securing the necessary professional services from abroad. In the longer term, training programmes should be developed and aimed at filling the gap between available and necessary skills.

Experience of Indonesia

39. The rapid development of the construction services industry has continued in Indonesia since 1968, leading, to some extent, to non-conformity with established standards for construction work. To address these weaknesses, the Government has had to introduce a number of required standards and regulations and to adopt a new Construction Law. The need to review the existing procurement system for consulting and contracting became apparent because of its inefficiencies and in preparing for the liberalization of market access in 2002 under the ASEAN Free Trade Area. The local market has been dominated mostly by government projects for development of public infrastructure. International financial agencies have supported the development of infrastructure, which has involved the participation of foreign construction firms in implementation of the projects, thus leaving for local firms small contracts based on low-level technology. As a consequence, the growth of domestic industry capacities has been progressing inadequately. The construction industry was a major employer until 1997, accounting for 10.23 per cent of total workforce employment; however, as a result of the economic crisis, that figure fell to 6.78 per cent in 1999. At the same time, companies operating in the construction services sector were faced with shortages of skilled manpower, a lack of capital and equipment supply for smaller contractors, and inadequate managerial skills. The further growth of the industry had to be supported by the removal of internal domestic constraints, including inefficiency in related services sectors, and excessive government bureaucracy. The growth of the construction services sector in developing countries could create new export opportunities for them, since they could become competitive suppliers of cost-efficient construction services. Developing country firms need a transition period of five to ten years in order to prepare for international competition. *Cooperation based on an equal partnership between developed and developing countries may* speed up the transition process. However, financial assistance and training of human capacities must be provided by developed countries and by international financial institutions. In order to support the development of developing country firms' capacities, fair competition in the international markets for construction services should be maintained.

Experience of Iraq

40. In the aftermath of war, Iraq was faced with the need for reconstruction of its social and industrial infrastructure. This need for reconstruction extended to power plants, bridges, oil refineries, telecommunications, ports, various other industrial installations and housing. For this purpose, a National Committee involving all ministries was created and a priority list of services and sites for rehabilitation was prepared. Access to resources was limited to locally available ones, including technical support. International companies were important players in the construction services sector in Iraq, as there were only 15 state construction companies, all of which were small or medium-sized and had to rely on subsidies and government financing of projects. These companies became involved in reconstruction projects that were not commensurate with their size and capacities, and consequently there was a need to increase their size, number and efficiency. Private sector contractors were subcontracted for the delivery of specific services. Laws and regulations have also changed to accommodate the changes in the market.

Experience of Japan

41. The construction sector has played an important role in Japan's development and still accounts for nearly 15 per cent of GDP. Experience acquired in building domestic capacities in this sector, particularly after the Second World War, may be usefully applied to addressing the problems of developing the construction services sector in developing countries. Japanese contractors operate in many developing countries and subcontract part of their work to local firms, thus contributing to technology transfer and human resource development. The liberalization of the construction services sector, within the framework of the World Trade Organization (WTO) negotiations, can contribute further to socio-economic development.

Experience of Lesotho

42. The Government of Lesotho, through the Ministry of Works and Transport, aims at formulating and monitoring the implementation of adequate, comprehensive and robust transport and construction sectors and supporting this by maintaining dynamic and effective institutional and legal frameworks. The construction sector contributes significantly to employment in the country, and the maintenance of public buildings accounts for a very large part of the demand for construction services. The development and maintenance of rural roads is undertaken mostly by domestic firms. The Lesotho Highlands Water Project has contributed to the development and use of specialized expertise in the construction of hydropower plants, tunnels and dams, water and sewage plants, roads, bridges, hotels and municipal works. The participation of domestic contractors in the execution of large-scale projects is very limited owing to a lack of qualified personnel to work on these projects, and they are usually carried out by foreign firms. In addition, most qualified personnel move to the neighbouring country — South Africa — because of Lesotho's small economy and limited opportunities. The Government is promoting and encouraging the involvement of women in the construction services sector.

Experience of Mauritius

43. Mauritius represents a small market for construction services driven by the private sector. Consequently, there are a number of subsectors in which local firms do not have expertise or experience, and they therefore need to cooperate with foreign firms. The joint ventures established with foreign partners have been especially beneficial to Mauritius. By cooperating with foreign suppliers, local firms have increased their expertise and are becoming suppliers of construction services abroad. In order to establish partnerships with foreign companies, local companies are strongly encouraged to comply with international standards related to professional qualifications. In addition, Mauritius is trying to comply with existing international standards and support development of new ones in such areas as registration, licensing and certification, procurement policies, liability and copyrights. To ensure that the presence of foreign professionals/firms is actually contributing to the knowledge and technological upgrading of local firms, the precondition for provision of services by foreign architects/engineers is collaboration with local professionals.

Experience of New Zealand

44. The construction sector is an important part of New Zealand's economy, accounting for 6.8 per cent of employment and contributing 3.5–4.0 per cent to GDP. Direct exports of construction services have reached NZ$ 100 million. New Zealand construction firms have worked offshore since the 1940s. Joint venture and project work continues to be an important component, especially in the Asia-Pacific region, which is the main focus for most of New Zealand's services trade. It is currently estimated that offshore work generates as much as 80 per cent of the turnover of New Zealand's largest construction companies. New Zealand has developed a specialization in the design of earthquake-resistant structures and hydro- and geothermal power stations, and the design and construction of dairy and meat facilities. Apart from two or three fairly large construction firms, most construction services suppliers are small and medium-sized enterprises. In looking at ways to improve access to foreign construction markets in the current round of services negotiations, the cluster approach may be used as a negotiating tool in bilateral market access negotiations. With regard to domestic regulation, meaningful access to markets for construction services requires that measures relating to qualification requirements for companies, as well as procedures, technical standards and licensing requirements, be effectively addressed. Building controls are set out in the New Zealand Building Code, which is a performance-based code that lays down minimum standards for design, construction and health and safety. On the question of recognition of qualifications, it will be necessary to explore further either establishment of international standards for professions or the pursuit of mutual recognition agreements. New Zealand has a mutual recognition agreement with Australia, which facilitates the movement of engineers and other construction personnel across the Tasman Sea.

Experience of Pakistan

45. In the mid-1970s Pakistan was able to export its construction services — both physical construction services and architectural and engineering services. However, the

situation has been deteriorating since then. The requirements in the guidelines of the international financing agencies and most developed countries have eroded the chances of local firms' participation in major development projects related to power-generating facilities and other infrastructure construction. Local firms are eliminated at the pre-qualification stage because they are unable to fulfil the criteria laid down by funding agencies and bilateral donor countries. Since local firms are not given the chance to participate in domestic construction projects, they are missing opportunities to develop and upgrade their technical expertise and, as a result, are increasingly unable to participate in construction projects abroad. The cost of projects executed by foreign services providers can be three to four times more than that of projects carried out by domestic services providers, thus creating a debt burden in Pakistan which is increasingly difficult to discharge. Therefore, the procurement guidelines adopted by the financial institutions and the developed countries have to be amended to ensure that the funds made available to implement construction projects truly benefit the receiving country in terms of human resources development, transfer of technology and poverty alleviation. More specifically, they have to contribute to the development of an efficient local construction sector which could gain from trade liberalization in obtaining a share of the regional and international markets. The establishment of joint ventures with local firms should be recognized as a precondition for foreign firms to operate in local markets, and countries must be free to include this requirement in their national legislation. This is because joint ventures are the best tool for local companies to upgrade their expertise and benefit from trade liberalization in the construction services sector. Local laws, policies and regulations should be complied with by all actors in the construction services field since their aim is promote the development of the local construction services sector. Developing countries have a competitive advantage in the sector because of their relatively cheaper labour and the availability of skilled professionals. Developed countries need to further liberalize the delivery of services through mode 4 of the GATS to enhance the movement of natural persons from developing countries as construction services providers.

Experience of Paraguay

46. The Government is implementing a broad programme of reforms which gives high priority to the reactivation and restructuring of the construction sector in order to overcome the shortage of housing, and to promote the building and maintenance of roads and sewage facilities. In this connection, major efforts are being made by the Government to promote greater participation by the private sector in the privatization process. One of the main problems faced by local firms in the domestic market is securing effective and substantive participation in projects funded by multilateral funding agencies since they have found it difficult to meet the pre-qualification requirements.

Experience of Romania

47. Romania's economic reform and trade liberalization have been dictated by the opening of the economy in the context of European integration. Despite the decline in investment in the construction industry during the period of economic transition and

privatization, the value of the output of the Romanian construction services sector increased between 1987 and 1997, while its contribution to GDP remains relatively low compared with the sector's counterparts in the countries of the European Union. During the last five years, Romania has undergone regulatory adjustment in order to apply internationally compatible regulations regarding the quality of construction work with a view to creating a competitive domestic market where quality criteria are dominant, and to promoting increased trade in construction services. With the introduction of a law on quality in the construction sector, a system of regulations was elaborated to establish a quality system for construction materials and products. Those regulations pertain to technical standards of products and procedures, consultancies dealing with design verification and technical assessment, quality management, research and laboratory tests. An official authorization system has also been implemented, which governs the qualification of firms on the basis of legal, technical and financial criteria, as well as certification of their professional capacity. These new regulations have contributed to the development of the sector, particularly in urban planning and development.

Experience of Samoa

48. Being a small island nation, Samoa faces developmental constraints because of its limited natural resources, small domestic market, limited scope for economies of scale and isolation from international markets. The Samoan market is an open one, and the Government's reform processes are encouraging the private sector to grow by removing the remaining obstacles to development. Samoa is in the process of accession to the WTO. In the construction services sector, reforms include reduction of government involvement in the provision and maintenance of infrastructure, introduction of environmental and social impact regulations, development of sensitive zone management plans and adoption of a rational method for management of infrastructure assets by government agencies. There are few regulations in the construction services sector, which is constrained by the size of the country. Liberalization has brought about competition and efficiency in the construction services sector. Joint ventures are encouraged for transfer of technology to local industries. Because of the small size of the economy, most Samoan firms cannot compete in the international market. The Government needs to improve the terms of procurement policies so as to introduce more transparency in allocating contracts. There is also a need to set up a regulatory and licensing procedure, and to design standards for the construction sector.

Experience of Tunisia

49. The Ministry of Economic Development carried out in 1996 a survey of 50 firms regarding architectural and engineering services. Tunisian firms have indicated a number of problems. First, local firms which work mainly with the public sector do not have sufficient human and technical resources. This jeopardizes the functionality of their projects. In addition, domestic regulations for public procurement are rather complex and rigid and do not always take into account the specificity of all the providers involved. Furthermore, competition is not always fair in the implementation of projects in Tunisia. This is due to a number of factors: the requirements for international financing favour foreign firms; some public providers are subsidized by the Government; and too many operators are present in the

market, some of which are not sufficiently experienced. The presence of a large number of suppliers in a rather small market leads to a race to offer services at the lowest possible price, with consequent problems of quality and security. Another concern is that local engineers and architects are not always adequately trained, and this jeopardizes their ability to export their services. The present procedure for approval of local firms to participate in public bids is in the process of being replaced by the establishment of "cahiers de charges", whereby the capacity and the expertise of each company to carry out specific projects are assessed. Thirty-five per cent of the turnover of Tunisian firms providing architectural and engineering services in the area of public works is generated by services provided from abroad. However, the export promotion agencies are not giving sufficient support to these firms, which have the capacity to export their services. On the other hand, these firms are not very familiar with the export-promotion activities available in the country. Tunisia has largely liberalized its domestic market for construction services. The only conditionalities applying to foreign direct investment (FDI) are that the Chief Executive Officers of companies must be citizens of Tunisia and that foreign capital should not exceed 50 per cent.

Experience of Turkey

50. The construction sector has acted as a push factor in the economy. To maintain the competitiveness and efficient functioning of the sector, emphasis is being placed on the importance of research and development (R&D) and the adoption of new technologies. At the same time, knowledge and experience are necessary inputs which should be supported through the system of education and continuous training. However, the public education system has not been providing formal training to workers. To fill that gap, private companies should establish funds and trusts to offer training in skills for which there is an immediate need. Policy measures should take into account the fact that the construction services sector is a welfare tool, and bureaucratic obstacles faced by contractors should therefore be removed in order to maximize the effective performance of the sector. In elaborating the policy approach, dialogue with the private sector should be maintained. To achieve those goals, six conditions need to be met. First, the construction sector should be treated like other major industries, since construction services providers function like other industrialists, i.e. they establish only a temporary commercial presence limited to the implementation of a project. Second, contractors should be regarded as partners by the Government. Governments often fail to understand the uniqueness of the construction sector. This sometimes becomes an obstacle in itself, especially in government-financed projects, which experience numerous bureaucratic delays. Complex taxation detracts from efficiency, but Governments are unwilling to reform the tax system for fear of losing revenue. Third, budget allocations should be made according to project implementation needs in order to avoid unnecessary delays and a consequent increase in costs. Fourth, payments should follow implementation of construction projects without delay and not be used as an implicit tool for borrowing. Fifth, transparency is needed in the rules and procedures for procurement so as to discourage preferential treatment of selected suppliers. Sixth, a special agency should be created to oversee the construction sector, since the present situation in which several agencies are

involved is not conducive to dealing with the complex problems that arise in the construction services sector.

Experience of the United Republic of Tanzania

51. Because of the capacity constraints of the local construction industry, the market is dominated by foreign service providers. The United Republic of Tanzania is a least developed country (LDC), and the construction services sector is facing capital constraints and lacks financial support from the Government. The problem is becoming more acute owing to the need to adapt to the use of information technology and to meet associated costs. Implementation of construction projects depends heavily on financial support from multilateral funding agencies, which impose pre-qualification conditions that cannot be met by local service providers. Construction services are dominated by small and medium-sized enterprises (SMEs), which are vital for creating employment and growth, and are often the only ones willing and able to undertake small scattered projects, especially in rural areas. However, in terms of market share, foreign service providers are dominant in 14 members of the Southern African Development Community, with a 70 per cent market share. Local companies need to adapt to the challenge of increased competition, which has to take place within the framework of adequate policy measures, including affirmative development targets for SMEs, so that construction firms can take advantage of liberalization and improve their own competitiveness. Business and managerial skills are lacking and investment in human skills and capacities is a primary objective. Awareness regarding WTO issues and dissemination of information to larger constituencies in the developing countries should be enhanced since this is a necessary condition for successfully implementing the present WTO obligations and participating effectively in the on-going negotiations. Regional trade in construction services should be promoted as well as movement of construction resources, firms and personnel. At the same time, the Government's accountability and respect for the rights of the stakeholders in the construction services sector should be strengthened. Liberalization is not possible in LDCs since indigenous human and technological capacities have to be developed first, supported by the gradual removal of protectionist measures and progressive application of international standards. The construction services sector is not an area of export interest for LDCs owing to supply-side constraints, to overcome which support from the international community is imperative.

Experience of Venezuela

52. Venezuela is the second largest energy producer in the Western hemisphere, and also the second largest consumer of services related to energy production, including physical construction services and engineering services. In 1980 there were only 25 engineering companies in Venezuela which had the capacity to develop medium-size projects costing between US$ 100 and 200 million. By 1992, Venezuela had 200 engineering companies with such a capacity, including 25 with the expertise to manage complex projects. These companies have been increasingly able to provide the local oil company, PEDEVESA, with the kind of construction services which it needs for its activities. At present, 90 per cent of PEDEVESA's requirements in the engineering sector are satisfied by local companies. This

situation is the result of a global strategy put in place by PEDEVESA to support the development of local capacity in all sectors needed by the company for its operations. In the engineering sector, PEDEVESA encouraged the development of capacity and expertise by local firms and promoted partnerships with those foreign firms that were willing to transfer technology, train personnel and share their design and project control systems with local firms. However, to make local engineering firms adequate business partners for PEDEVESA, many problems had to be addressed and solved, such as the inability of Venezuelan companies to deal with large and complex projects, their lack of financial leverage and the serious restrictions in the domestic banking system. Large projects were split into several "easy to handle" packages; joint ventures were implemented where human resources training was a central issue; and high standards were set in the areas of design, cost estimation, planning, construction and inspection. Venezuelan engineering companies that provide services to PEDEVESA have diversified their activities and are at present also active in other industrial sectors, such as hydroelectricity and petrochemicals. However, they are not yet key players in the international market for plant construction.

Experience of Zimbabwe

53. The construction sector is of strategic importance for Zimbabwe's development, since it accounted for 2.3 per cent of GDP in 1997, employs of 78,000 people and plays a role in the development of other sectors of the economy. The Government of Zimbabwe strongly supports competition in the construction services sector, recognizing in particular that competition in the domestic market tends to be a prerequisite for local firms to become stronger and eventually be able to operate overseas. Any foreign investment in the services sector could take a 70 per cent shareholding. In the initial period after independence, the sector received direct support from the State, but since the country started implementing in the 1990s structural adjustment programmes funded by the International Monetary Fund, national construction firms are no longer cushioned against competition and have to struggle to survive. However, the Government introduced in 1993 an affirmative action policy in favour of indigenous firms in relation to non-donor-funded projects in order to reserve a minimum market share for these companies and to promote subcontracting and technology transfer. As far as aid-funded projects are concerned, restrictive donor requirements practically exclude developing countries' firms and individual professionals from playing a meaningful role. Local companies can try to penetrate this market only by means of strategic alliances with developed countries' firms. Developing country exports are frustrated by limitations affecting the movement of natural persons, such as restrictions on visas and temporary residence permits, and the need to adhere to the practices established by national professional associations. Increased transparency in government procurement may improve developing countries' penetration of developed country markets. However, opening up government procurement to international tendering will further affect the local companies' chances of providing construction services. National policy frameworks should focus on creating an enabling environment for the competitiveness of local architectural, engineering and physical construction services providers. Joint ventures with foreign firms should be

encouraged; local firms, however, should play the role of real partners. Tax rebates could be considered for investments made by local firms for upgrading human and technical resources.

B. Presentations by other lead discussants

United Nations Conference on Trade and Development (UNCTAD)

54. There is an asymmetry between developed and developing countries in the construction services sector. Whereas firms from developed countries have since the early 1980s increased their control of the international market with a share currently exceeding 90 per cent, the position of developing countries has been worsening, their share having fallen from more than 15 per cent to less than 5 per cent. As the experience of some developing countries shows, construction firms that succeeded in entering the international market have benefited from experience acquired at home. This underscores the importance of giving indigenous firms increased possibilities to provide construction services. Strengthening domestic capacity is only a first step towards enhancing their participation in world trade. In addition, technology and financing affect the ability of developing countries to access the international market. Efforts should therefore be made to facilitate their access to foreign technology and international financing, including through a more explicit policy on the part of international and regional financial institutions to further promote the participation of engineering services firms in the provision of construction services for projects funded by them in developing countries. It should be emphasized that increasing the participation of developing countries in world trade implies acceptance by all trading partners of the movement of both skilled and unskilled labour across national borders. Without such movement, which is necessary for the delivery of most construction services, particularly physical construction, developing countries would be denied possibilities to fully exploit their low-labour-cost comparative advantage in the international market.

World Trade Organization (WTO)

55. Just over half of the Members of the WTO have made market access and national treatment commitments in the construction services sector, as a result of which it is the sixth most committed sector in the established list of 11 services sectors. Among those that undertook specific commitments, developed countries accounted for 24 schedules and developing countries for 64. A more detailed analysis revealed that WTO Members did not undertake any substantive obligations with regard to providing access for natural persons in construction services. On the other hand, 31 per cent of Members indicated that firms may establish a commercial presence without restrictions. The rest stated that certain conditions may be imposed in relation to firms' commercial presence. With regard to cross-border trade, Members regarded it as a less relevant or even technically impossible way of providing construction services. Architectural and engineering services were committed under the professional services category, which encompasses as separate subsectors architectural services (66 commitments), engineering services (73 commitments), integrated engineering services (45 commitments) and urban planning services (48 commitments). Among those,

developed countries made on average 25 commitments in all the professional services. The main difference as compared with the construction services sector was that commitments indicated the willingness of countries to open their markets to cross-border trade in architectural and engineering services, and half of the Members allowed this trade without restrictions. In the context of the present round of services negotiations, construction services would be affected by the discussions in the Committee on Specific Commitments on the scope of the sector, negotiations on government procurement in the Working Party on GATS rules and the Working Party on Domestic Regulation, and finally negotiations on specific commitments.

Organisation for Economic Co-operation and Development (OECD)

56. The supply of services in one sector depends on the availability, use and efficient functioning of a number of other services. The OECD views such a set of interdependent services as clusters of commercially related sectors. Services sectors have been introduced in the GATS along clear "vertical " lines — for example, health services, business services and transportation services — but there are also "horizontal" links between services sectors. These links are often commercial ones where restrictions on the supply of one service can prevent or curtail supply of another service. The basic idea behind clusters is to try to establish such links, and to establish a list or groups of related services. The obvious problem is that all services sectors are potentially related. If clusters are to have any meaning at all, they need to be kept manageable and focused. A cluster approach could complement, but not replace, request–offer negotiations on services. A cluster approach may not be appropriate for all, or even very many, sectors, and the type of cluster approach may vary according to the sector. There are a number of possible ways in which clusters could be used in negotiations, depending on what participants wanted. Options include a reference tool for domestic authorities when making requests and offers; agreement by WTO Members on the composition of cluster services in one or two areas and its inclusion in their requests and offers on an autonomous, voluntary basis; and the basis for a model schedule of sectors where Members might consider making commitments, but without prejudice to the type of commitments they might make. Nothing in clusters would necessarily override the basic GATS principle that Members choose the sorts of commitments they want to make and the sectors in which they want to make them. The flexibility built into the GATS enables Members to structure and tailor the type of commitments they make to suit their development and economic priorities. Construction services are infrastructure services and are among those that underlie the efficiency of the economy as a whole. As such, they are likely to be commercially relevant to a range of other service sectors, such as tourism and environmental services, and are thus likely to arise in the context of other proposed clusters.

C. Summary of the videoconference with the World Bank and the Inter-American Development Bank

57. The World Bank and the Inter-American Development Bank (IADB) highlighted the substantive changes in priorities in their lending programmes, in particular the new emphasis given to the funding of projects in the social sectors (health, education, environment and

poverty reduction). As a result of those changes, the allocation of funds to large civil works contracts for infrastructure development is decreasing, while the allocation of funds for small projects in the social sectors is increasing rapidly. The World Bank classifies as small contracts those involving less than US$ 2 million, whereas the IADB considers small contracts to be those involving between US$ 1 and 5 million, depending on the borrowing country. In recent years only 40 per cent of all World Bank financing has gone to large infrastructural facilities. In the case of the IADB, since the implementation of its new policy in 1994, 50 per cent of all financing has been allocated to social sectors and poverty reduction.

58. As a result of the new direction in lending for small projects, contracts are increasingly allocated through national competitive bidding applying national legislation. As required by institutional regulations, large contracts are allocated through competitive international bidding that must be open to all members of the Bank and follow mandatory procedures. In the case of small contracts, foreign firms cannot be excluded from participation, but because of the size of the contracts they are usually not interested in bidding. Therefore, a space has been opened for local construction and AES firms to receive most of the small contracts. The IADB has awarded 80 per cent of all contracts to local providers, and there is increasing participation by firms from developing countries in the region, especially Brazil, Mexico and Argentina.

59. The World Bank regulations include provisions for promoting local participation. A price preference of 7.5 per cent is granted to firms from the poorest countries (those with a per capita income of under US$ 650) in the operations of the International Development Agency, and a price preference of up to 50 per cent can be granted to locally produced goods, provided that there is at least 30 per cent of domestic value added. When the shortlist of five or six candidates for the contract is established, at least two of them must be from developing countries. However, data show that less than 1 per cent of all contracts was awarded to local firms under the price preference scheme. The IADB does not have any provisions for granting preference to local AES firms and physical construction providers. Neither the World Bank nor the IADB accepts any national provisions regarding mandatory joint ventures between foreign and domestic companies, or regarding any other performance requirements. However, any voluntary scheme would be compatible with their institutional regulations. The requirements incorporated in the bidding for World Bank-funded projects, including the pre-qualification requirements, curtail the participation of local firms. The World Bank recognized that pre-qualification requirements have occasionally been applied unrealistically and has been working towards correcting this problem. However, those local firms affected should contact it or its local representative immediately and set out their concerns. The IADB has followed a different approach where a pre-qualification criterion was set *ex ante* in the case of all projects.

60. Both the World Bank and the IADB confirmed that establishment of technical specifications and standards is the responsibility of national Governments. However, they provide recommendations and technical assistance when required. The World Bank is currently focusing its efforts on improving national government procurement systems in

order to increase transparency, as well as the quality and capacity of the national institutions involved. With the participation of the private sector, it has so far completed an overall analysis of the 50 national systems. Once the assessment has been finalized, in consultation with the Governments concerned it will establish programmes on how to upgrade national procurement systems and will provide the necessary financing. Its programmes on promoting the legislative reform of government procurement systems may have an impact on developing countries' commitments in the multilateral trading system, and on the negotiations on government procurement in the GATS.

61. Both the World Bank and the IADB recognized that institutional regulations override national legislation on lending activities in some cases and in competitive international bidding. However, the IADB stressed that all the legislation of its members incorporated provisions specifying that in the case of projects financed by the international financial institutions the provisions of those institutions will apply, and that there was therefore no conflict with national legislation. The requirements of the international financial institutions do not allow the pursuance of legitimate national development objectives through government procurement provisions in national legislation. Both Banks considered direct intervention to be a more efficient instrument for achieving national development objectives than preferences or performance requirements in the procurement legislation. Procurement policies should be neutral in terms of promoting development. Projects oriented to local supply capacity development should be established independently, and Governments may propose them for inclusion in annual programmes with the financial institutions.

III. ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

62. In accordance with the decision of the Trade and Development Board at its twenty-fourth session, on 12 May 2000,[2] the Expert Meeting on National Experiences with Regulation and Liberalization: Examples in the Construction Services Sector and Its Contribution to the Development of Countries was held at the Palais des Nations, Geneva, from 23 to 25 October 2000. The meeting was opened on 23 October 2000 by Mr. John Cuddy, Director, Division on International Trade in Goods and Services, and Commodities.

B. Election of officers

(Agenda item 1)

63. At its opening meeting, the Expert Meeting elected the following officers to serve on its Bureau:

Chairperson: Mr. Werner Corrales Leal (Venezuela)

Vice-Chairperson-cum-Rapporteur: Mr. Nurul Hossain (Bangladesh)

C. Adoption of the agenda

(Agenda item 2)

64. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.1/EM.12/1. Accordingly, the agenda of the Meeting was as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. National experiences with regulation and liberalization: examples in the construction services sector and its contribution to the development of developing countries

4. Adoption of the outcome of the Meeting

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[2] See Report of the Trade and Development Board on its twenty-fourth session (TD/B/EX(24)/3), paragraph 46 and annex III.

D. Documentation

65. For its consideration of the substantive agenda item (item 3), the Expert Meeting had before it a note by the UNCTAD secretariat entitled "Regulation and liberalization in the construction services sector and its contribution to the development of developing countries" (TD/B/COM.1/EM.12/2).

E. Adoption of the report

(Agenda item 4)

66. At its closing meeting, on 25 October 2000, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting, under the authority of the Chairperson, to include the outcome adopted by the Meeting (see chapter I) and the Chairperson's summary of the informal discussions (see chapter II).

Annex

ATTENDANCE *

1. Experts from the following States members of UNCTAD attended the Meeting:

Angola
Australia
Bangladesh
Cameroon
Colombia
Costa Rica
Cuba
Czech Republic
Democratic People's Republic of Korea
Djibouti
Dominican Republic
Egypt
Ethiopia
France
Germany
Guatemala
Indonesia
Iran (Islamic Republic of)
Iraq
Italy
Japan
Lesotho
Madagascar
Mauritius
Mexico
Morocco
Netherlands
New Zealand
Pakistan
Paraguay
Peru
Philippines
Romania
Samoa
Saudi Arabia
Sierra Leone
Swaziland
Thailand
Tunisia
Turkey
United Republic of Tanzania
Venezuela
Zimbabwe

2. Palestine attended the Meeting as an observer.

3. The following intergovernmental organizations were represented at the Meeting:

Arab Labour Organization
League of Arab States
Organisation for Economic Co-operation and Development
Organization of African Unity
Organization of the Islamic Conference

* For the list of participants, see TD/B/COM.1/EM.12/INF.1.

4. The following specialized agencies and related organizations were represented at the Meeting:

International Labour Organization
United Nations Industrial Development Organization
World Trade Organization

5. The following non-governmental organization was represented at the Meeting:

General Category

World Federation of the United Nations Association